

Message Text

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C O N F I D E N T I A L HONG KONG 9669

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EXDIS

E.O. 11652: GDS

TAGS: ENRG CH US HK

SUBJ: PROPOSED FLUOR REFINERY COMPLEX

REF: HONG KONG 8333

1. GOVERNOR MACLEHOSE CALLED ME IN AUGUST 20 FOR DISCUSSION OF FLUOR REFINERY COMPLEX. SECRETARY FOR ENVIRONMENT ROBSON, WHO IS HIG CONTACT WITH FLUOR, WAS ALSO PRESENT. HE, THE COLONIAL SECRETARY, AND THE GOVERNOR ARE THE ONLY HKG OFFICIALS AWARE OF THE PROJECT SO FAR. GOVERNOR SAID THAT FLUOR GROUP WAS RETURNING ON AUGUST 26 AND WAS PROBABLY GOING TO SEE HIM THE NEXT DAY AND HE WOULD LIKE TO HAVE A FILL-IN BEFORE THEY ARRIVED.

2. I GAVE THE GOVERNOR MY UNDERSTANDING OF THE STATE OF PLAY FOLLOWING REFTEL CLOSELY BECAUSE THAT WAS THE LATEST I HAD ON THE SUBJECT. MY ACCOUNT SEEMED TO HAVE JIBED WITH ROBSON'S AND IT SOON BECAME APPARENT THAT THE GOVERNOR'S REAL CONCERNS AND HIS REASON FOR CALLING ME IN LAY WITH THE RELIABILITY AND SERIOUSNESS OF PURPOSE OF THE PARTICIPANTS. I TOLD HIM THAT WHILE I HAD DOUBTS ABOUT HOOSE PERSONALLY, FLUOR WAS A MAJOR US CONSTRUCTION OUTFIT WITH VAST EXPERIENCE IN JUST THIS TYPE OF PROJECT. FURTHERMORE, I COULD ASSURE
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HIM THAT THE FOUR OR FIVE POTENTIAL BACKERS I KNEW

ABOUT WERE TOP AMERICAN BANKS AND FIRMS.
I DOUBTED THAT FLUOR WOULD HAVE SPENT THE TIME UNLESS
THEY WERE SERIOUSLY CONSIDERING
PROCEEDING WITH THE PROJECT IF THEY COULD
COME TO TERMS WITH CHINESE AND UNLESS THEY WERE
CONFIDENT OF FINANCING IF THEY DID PROCEED.

3. AS TO THE CHINESE SIDE, I SAID THAT THE HONG KONG
FRONT MEN WERE APPARENTLY BECOMING MORE AND MORE JUST
THAT BUT IT WAS OF COURSE IMPOSSIBLE TO JUDGE THE PRC'S
ULTIMATE INTENTIONS. HOWEVER, AGAIN IT SEEMED UNLIKELY
THAT THEY WOULD ATTEMPT TO LEAD ON AN ORGANIZATION
LIKE FLUOR, PARTICULARLY WHEN SUCH VERY HIGH PRC
OFFICIALS WERE INVOLVED. (PARA 4 REFTEL).

4. I SAID THAT OBVIOUSLY THE GOVERNOR AND HKG WERE
BETTER INFORMED ABOUT THE FRONT MEN THAN I. THE
GOVERNOR EXPRESSED SOME PRIVATE RESERVATIONS ABOUT
SOME OF THEM, PARTICULARLY ENRY FOK, NOTING THAT
PARTICIPANTS EVEN AS FRONTS IN SUCH A SCHEME WOULD
GAIN ENORMOUS PRESTIGE AND OF COURSE MONEY. HKG
DOES NOT WISH TO SEE FOK'S ILK PUSHED UP THAT FAR,
PARTICULARLY SINCE THERE ARE LONG-RANGE IMPLICATIONS
FOR THE ECONOMIC DOMINATION OF THE COLONY. THE
GOVERNOR POINTED OUT THE COMPLEX WOULD REPRESENT
UNIQUE COMBINATION OF TWO MOST POWERFUL INFLUENCES
IN HONG KONG, I.E. US AND PRC, BOTH OF WHOM WOULD
OBVIOUSLY BE APPEARING TO BACK HENRY FOK. THIS WAS
NOT LIKELY TO SIT WELL WITH THE PROMINENT CHINESE AND
OTHERS ON HK'S EXECUTIVE COUNCIL WHICH MUST APPROVE
LAND GRANT.
COMMENT: THE GOVERNOR'S ATTITUDE ON THIS MAY BECOME
REAL PROBLEM FOR FLUOR WHEN HKG APPROACHES FINAL
DECISION. I GATHERED THAT HE WILL RAISE THIS WITH THE
FLUOR PEOPLE WHEN HE SEES THEM BUT I DO NOT THINK
WE SHOULD TIP OFF FLUOR SINCE IT IS THE KIND OF
SITUATION WHERE THE USG CANNOT HELP NOR SHOULD BECOME
INVOLVED.

5. GOVERNOR ASKED ABOUT BUT DID NOT DWELL ON
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USG POSITION ON PROJECT. I SAID THAT I HAD REPORTED
REGULARLY ON DEVELOPMENTS AND HOOSE AND OTHER HAD
BEEN IN WASHINGTON AND THERE HAD BEEN NO OBJECTIONS
EXPRESSED SO FAR NOR DID I PERSONALLY SEE ANY.

6. AS DEPARTMENT KNOWS, I HAD EARLIER TOLD FLUOR
THAT I WOULD BE PREPARED TO INTERVENE WITH THE
GOVERNOR AT THE PROPER TIME AND IN APPROPRIATE WAYS

(PARA 7 REFTTEL). I BELIEVE THAT I SHOULD NOW BE INSTRUCTED TO GO THE GOVERNOR AND TELL HIM THE USG PHAS M OBJECTION IN PRINCIPLE TO THIS PROJECT NOR TO A US FIRM COOPERATING WITH PRC IN THIS MANNER AND IN FACT HOPES THAT PROJECT WILL BE SUCCESSFUL SINCE IT WOULD MEAN A HUGE US INEVESTMENT IN HONG KONG AND A STRENGTHENING OF US ECONOMI TIES WITH BOTH HONG KONG AND THE PRC. IN THIS CONNECTION, HOOSE SHOULD HAVE COMPLETED OR BE STILL ENGAGED IN DISCUSSIONS IN WASHINGTON AND IT WILL BE HELPFUL, INDEED NECESSARY, TO HAVE FULL ACCOUNT OF WHAT HAS BEEN GIVEN HIM AS TO USG OFFICIAL POSITION. HE HAS REPORTEDLY BEEN TALKING WITH BUCHAN IN WHITE HOUSE, NSC OFFICIALS AND PRCM. HOOSE'S REPUTATION HERE IS SUCH THAT ANYTHING HE SAYS OF IMPORTANCE ALONG THAT LINE WILL NOW INVITABLY BE CHECKED OUT WITH ME.

7. I SHALL BE ABSENT FROM THE COLONY FROM AUGUST 22 TO AUGUST 30 BUT HAVE TOLD BOTH THE GOVERNOR AND FLUOR REP HERE THAT I WILL BE AVAILABLE TO THEM IMMEDIATELY AFTER MY RETURN.

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